

DAIRY COOPERATIVES: A GREAT STRENGTH IN U.S. AGRICULTURE  
Strength Through Dairy Co-op Service to the Public<sup>1/</sup>

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There is much to be optimistic about in 1976. We must look for opportunity even in adversities. We can find many things to be optimistic about if we only look.

It is an honor for me to appear at the Annual Meeting of this great cooperative as we prepare to kick off "Co-op Month." Your cooperative, Great Lakes-Southern Milk, Inc., led the way toward the strengthening of cooperative milk marketing associations through improved organization and operation and better coordination of their sales programs. A study by the Farmer Cooperative Service found that producers milk marketing organizations had made substantial progress in increasing their volume of milk marketed since 1957. While part of the increase came from mergers and acquisitions, a larger part could be attributed to consolidation and improved managerial efficiency. Contributing to this growth was the development of regional federations starting with the formation of the Great Lakes Milk Marketing Federation in 1960 which brought together for bargaining and other general purposes a number of milk marketing cooperatives in Michigan, Ohio, and nearby states. Your favorable record has encouraged others to follow your lead. It takes courage to lead, to be different, to move out of your fur-lined rut. I want to challenge you to continue to explore for more efficient ways to serve producers and consumers.

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<sup>1/</sup> Presented at the 16th Annual Meeting of Great Lakes-Southern Milk, Inc., Executive Inn, Louisville, Kentucky, September 30, 1975.

We are living in a time of changing facts. Many of the facts you and I used yesterday as a basis for our words and actions are not facts today. For example, we in agriculture have associated bigness with bad--farmers were second class citizens with a low standard of living, farmers were poorly educated, clabber milk was fed to hogs, new technology was good if it meant more production and better quality food. Farmers have put it all together; they have attained their goal of a standard of living equal to others in our economy. We sell yogurt to our city cousins. Farmers have lost DDT and some of our others technologies to unfounded claims that they failed to challenge. Cheap fuel that we used to replace muscles with is gone. Co-ops have become inflation fighters rather than depression fighters.

Society, through their elected legislators, enacted laws such as the Capper-Volstead Act, Clayton Act, and so forth, to permit farmers to join together in associations to market products. The Capper-Volstead Act is considered to be "The Magna Charta of Cooperation" and yet the word cooperatives is not in this Act which permits two or more farmers to join together to market agricultural products. The fact is that there are laws and regulations enacted by the Federal Government and the State Governments which permit you to conduct your business operations with the same opportunity for profit as anyone else in our free competitive economy.

Today's farmers have never farmed without cooperatives and today's consumers have never lived or fed their families without co-ops.

Let me first point out that I see agricultural cooperatives as a part of the farming picture. Agricultural cooperatives are to me a tool of modern agriculture that farmers may use. Just as the tractor is a tool of modern agriculture so is the cooperative. Cooperatives are not a firm

separate from the farming operation but a part of it. Because of the very good job that cooperatives have been doing for a long time, farmers and consumers who have never lived without cooperatives fail to recognize their contribution to our way of life and standard of living.

How many countries are there in this world where the housewife can go to market and choose between different brands of cows milk? We fail to realize that in many countries of this world, housewives go to market to see if there is milk.

Not only is this a time of changing facts, it is a time of consumerism. Our politicians who jumped on the consumer bandwagon are trying to find a handle. With the irresponsible press as their ally and the "Friday night special" as their weapon, they have in some cases caused mistrust and confusion in the marketplace. The "Friday night special" is like the "Saturday night special," a damaging weapon but not always a deadly weapon. The "Friday night special" is a wild news release by an irresponsible person with a vested interest that levels damaging charges against a successful firm, individual or even our great democratic government. These charges are repeated in the news media Saturday, Sunday and Monday before those in responsible positions can reply with truth on Monday afternoon. By this time, it is easier to believe a lie heard several times than a fact you have never heard.

After a successful attack on AMPI--and isn't it interesting that the other cooperative that followed the advice of Attorney Jacobson, the Savings and Loan was let off the hook in the plea bargaining, anyway someone had to be blamed for the so called high food prices and after the AMPI deal, what better group to blame than those farmers and their co-ops.

After all milk is for babies, not for profit--a campaign slogan used in 1919. Thus, the charges that cooperatives were somehow responsible for rising food costs.

Another example is the "Ban of Cyclamate" as reported in the September 29, 1975 issue of Barron's, page 3. The ban on cyclamate helped touch off a 400 percent run-up in sugar prices, fruit processing cooperatives were stuck with heavy inventories for which they received no government compensation. "Dr. Bernard Oser, the biochemist who conducted the 1969 test, the major reason for the ban, disclosed that it was all a big mistake ... the decision to select cyclamates as the culprit ... was probably not justified." Each of you should read this article. It is almost the same as the DDT story.

The truth is that strong and large and successful cooperatives, by promoting new production technology and efficient marketing, have been a major factor in keeping U.S. food prices for high quality food products at reasonable levels. True, the critics of farmers and their cooperatives point to food prices and say that they are too high, yet, they fail to see that everything else is higher such as gas, electricity, and even labor.

The citizens of the United States are the best fed and best clothed people in the history of the world. In addition to feeding the people of this country, the American farmer has earned the enviable distinction of being the world's greatest supplier of food and fiber to other nations. In 1974, the United States exported \$22 billion worth of American farm products. No other segment of the American economy has done so much for so many as the American farmer and his cooperative.

While labor has priced itself out of the U.S. market and as a result,

the American consumer has sent his dollars to other countries for automobiles, shipping, radios, TV's, clothing, etc. The American farmer has continued to increase the quality and quantity of his productive efforts by effective use of his cooperative.

Farmers have organized cooperatives for two major reasons. (1) To obtain new technology, and (2) To get fair prices for their products. Co-ops cannot get more than the fair price for their products because of the unique supply demand conditions for farm products as well as legal restrictions. Agricultural cooperatives are not exempt from antitrust or taxes.

It is a fact that when the price of any food item goes too high, consumers switch to other foods. Consumers are the true controllers of food prices.

Cooperatives like your milk cooperatives guarantee producers a year round market for their milk and at the same time, this arrangement with farmers insures me as a consumer a dependable supply of milk everyday of the year.

Farmers' success in providing the U.S. consumers with food at a most economical price is most evidenced in the milk business. Cooperatives operate at cost. Any surpluses above the cost of operations are returned to those who use the cooperative as a tool of modern agriculture. These savings of the cooperative are the underpayment or overcharge made by the cooperative as the farmer sells through or buys through his cooperative. Farmers do not sell to or buy from the cooperative, but sell through their cooperative. The price consumers are willing to pay for products is truly reflected through the cooperative. By the rules society has laid down,

farmer cooperatives operate only for the benefit of its members.

Strange as it may seem, some champions of consumerism are also champions of cooperatives, at times that is, while on the one hand, Ralph Nader and his disciples of doom condemn milk co-ops, he joins with the Cooperative League of the U.S.A. to promote consumer co-ops and even a consumer co-op bank.

Cooperatives can serve only one master. Food or other consumer cooperatives might, if organized and managed as logically and businesslike as agricultural cooperatives, serve consumers as a tool of modern living. That is to say, urban co-ops can perform some of the marketing functions of consumers but they must use sound business practices.

To effectively serve the consuming public, agricultural cooperatives must not be driven from the political arena. They must stand tall and represent their members to assure a fair system of checks and balances.

Critics may call attention to the improper campaign contributions made by certain co-ops. But what they fail to point out is that there were 7,800 other co-ops that were good and legal.

Cooperatives and their leadership must continue to be active in the political arena if farmers are to continue to have the right to earn a fair income from farming and consumers are to continue to have the privilege of obtaining the quality and quantity of food and fiber in exchange for the few hours of labor required today. In a free competitive economy, we must have a good political climate if we are to have efficient and successful business operations. A good political climate must be created. You must have sufficient political power to enact and protect the laws that permit you to serve consumers efficiently and effectively.

In my opinion, a greater concern for directors than political contributions is that directors of agricultural cooperatives do not misuse the overcharges or underpayments they hold for the owners of the cooperative. Cooperatives, since they are producers selling the agricultural products they produce to consumers do not have the same social responsibilities as investor-oriented firms who sell goods and services to third parties to generate a profit for investors. In a cooperative as set forth in all legal authorization the firm is non-profit and/or operates for the benefit of its members. Surpluses are to be returned to the members.

The relationship between a cooperative and its members is a fiduciary one such as that between a trustee and his beneficiary or a principal and his agent. A fiduciary acts primarily for another's benefit under a duty to that person.

Some directors may be using these funds illegally often with the erroneous assumption that co-ops have the same social responsibility as other firms whose purpose is to generate a profit for investors. Do not misunderstand me. Cooperatives should not return all their savings to owners in cash but must use some of these savings and others that farmers put up just as they put up funds for tractors and other tools of modern agriculture to continue to provide consumers with top quality reasonably priced food and fiber.

Success can be a danger second only to failure. Farmers and consumers must recognize that dairy cooperatives have created an efficient marketing channel and that in fact dairy cooperatives are a great strength in U.S. agriculture and that strong dairy co-ops are a service to the public.

Large dairy cooperatives are a must in our free competitive economy as firms with which dairy cooperatives continue to grow. The challenge to dairy cooperatives is to grow fast enough to be an effective factor in our economy.

To continue to be a great strength in U.S. agriculture and service to the public, dairy cooperatives must cooperate more effectively with the other cooperatives that their members own. The public does not differentiate between various commodity co-ops or supply and service co-ops. From my recent observation of the total agricultural cooperative activities in the country, dairy cooperatives are often conspicuous by their absence, yet educational and legislative campaigns such as those conducted by state cooperative councils, The National Council of Farmer Cooperatives, and The American Institute of Cooperation often are of equal or of more value to dairy cooperatives than those agricultural cooperatives involved.

To continue to serve the public, farmer co-ops must continue to grow and continue to provide new services and techniques. Competition is like driving the freeways. He who hesitates is not only lost but miles from the next exit.

There is much we can be optimistic about in '76 but it is up to each of us. We as consumers must not handcuff producers and you as producers must not stop fighting for your rights. The question I have for each of you is "What are you going to do about it?"